Wade Stubblefield@EES
05/21/2001 04:23 PM

To: Rogers Herndon/HOU/ECT@ECT
cc: Neil Hong/HOU/EES@EES
Subject: Re: FYI

Rogers,

The schedule originally attached included all activity through 5/17 and by default included the TXU curve adjustment. It is not jumping out at you probably because we netted the quarter's activity (including Hedge Management items) in with the curve shift items. I don't know how hard it is to break out separately, but if you feel it would add more value please let me know and I'll find out (Neil - can you tell how difficult it would be to show separately curve shift from actual hedge costs?).

With respect to the I-Cap and other retail gen. adjustments, I think these were contemplated in the rough $50MM depicted on the schedule for Ancillary Charges - East under the outstanding items caption. If you are aware of a different $50MM item that that might pertain to, please let me know.

The mis-valued options rough estimate of $20 MM was what Don said Mark Jackson thought his exposure was on options currently booked and just not valued properly. You're right that there are probably a lot of options not even identified that will result out of the data cleanup effort (hopefully some of the $222MM set aside from the top 13 deal review will cover some of that).

Thanks for your input and I hope the above has clarified some of your concerns. If you think it would be of benefit to sit down and go over the entire list, let me know when you have a few minutes.

Wade

Rogers Herndon@ECT

Rogers Herndon@ECT
05/21/2001 09:55 AM

To: Wade Stubblefield/HOU/EES@EES
cc: Kevin M Presto/HOU/ECT@ECT, John J Lavorato/Enron@EnronXGate, James W Lewis/HOU/EES@EES, Don Black/HOU/EES@EES
Subject: Re: FYI

Wade -

Some specific items we are currently analyzing that will have an impact on your assumptions:

TXU/North Texas Curve Adjustment (11.5 MM) This was put through on 5/17 and I am not sure made it into your summary.
NY (Rest Of State I-CAP) Adjust (20.0 MM) Narsimha working on currently - will forward details (I doubt this was planned for)
ECAR Retail Gen Adjustments (07.0 MM) Use appropriate wholesale curves and congestion adjustments
Illinois PPO (04.0 MM) Represents just one customer - J. Lewis working on potential exposure

(42.5 MM)

GOVERNMENT EXHIBIT
20001
Crim No. H-04-0025

Currently, we are focusing on areas that will allow us to prepare for existing "new deal" flow.

Areas that appear light to me in your analysis include option valuations (this will probably need to be fully resolved through the Contract re-evaluation process) and charges associated with the Illinois PPO roll-off.

Will try to keep you informed of major changes as we address them.

Rogers

Wade Stubblefield@EES

Wade Stubblefield@EES
05/18/2001 09:35 PM

To: Rogers Herndon/HOU/ECT@ect, James W Lewis/HOU/EES@EES
cc: Neil Hong/HOU/EES@EES
Subject: Re: FYI

Rogers/Jay,

Attached is a copy of a reconciliation that Wes C. and John L. had asked for earlier today depicting (1) the makeup of the items included in the YTD DPR loss for WhEES (2) an estimate of the items projected to still hit in Q2 and (3) those items which we think are exposure items but which is doubtful we will have fully resolved during Q2.

Neil H. provided the data for the items included herein, all of which you are hopefully aware of. Given the magnitude of the numbers and this point in the quarter, Wes has asked that we keep the attached updated on at least a weekly basis. Depending on the nature of future items that come up, we may want to convene a periodic meeting to discuss the items herein with all applicable parties.

I apologize for not including you on the distribution earlier today, will make sure you are in the loop with regard to the content of the schedule going forward and will include both of you in all future correspondence.

If you see anything unusual, or know of additional items which should be include, please do not hesitate to contact Neil or I.

Thanks

Wade

WhEES Exposure - 5 17

Enron Wholesale Services - EES
Financial Forecast
As of May 17, 2001
(in millions)

1st Quarter			
East Curve Shift	$ (38)		
West Curve Shift	(62)		
East Retail Gen Curve Adjustments	(5)		
West Retail Gen Curve Adjustments	(18)		
Utility Risk Mgmt T&D Curve Shift	(57)		
Gas	(24)		
Other	(15)		
Subtotal 1st Qtr			**$ (219)**
2nd Quarter as of May 17, 2001			
East Curve Shift	(16)		
West Curve Shift	(22)		
East Retail Gen Curve Adjustments	(50)		
West Retail Gen Curve Adjustments	(57)		
PGE/SCE Surcharge Adjustments	(171)		
Utility Risk Mgmt T&D Curve Shift	(32)		
IBM Direct Access to UDC Change	(71)		
UC/CSU Direct Access to UDC Change	(55)		
Gas	17		
Other	(28)		
Subtotal 2nd QTD as per DPR		**(485)**	
Outstanding Exposure Items for 2nd Qtr			
T&D - Rate Engine Correction	(80)		
Ancillary Charges - East	(50)		
Gas Intra-month True-up	(14)		
Mis-valued Options in Existing Portfolio	(20)		
Volumetric Re-forecasting			
- Pakaged Ice $(12); Arch $(8); Suiza $(1)	(21)		
Subtotal Outstanding Q2 Exposure Items		**(185)**	
Total Q2 Forecast			**(670)**
Other Potential Exposure Items			
DSM Project Options Reforecasted	(52)		
DSM Implementation Risk Premium	(15)		
Unbooked Pac Bell Option	(20)		
Estimated Flash to Actual Adjustments	(75)		
Top 13 Deal Review (see 'Deal Impact' tab)	(222)		
Subtotal for Others			**(384)**
GRAND TOTAL			**$ (1,273)**